MAKANA

MUNICIPALITY | EASTERN CAPE

...a great place to be

Makana Local Municipality
Annual Financial Statements
for the year ended 30 June 2019

General Information

Legal form of entity	EC 104 - Local Municipality
	The Municipality's operations are governed by the Municipali Finance Management Act 56 of 2003, Municipal Structure Act 117 of 1998, Municipal Systems Act 32 of 2000 and various other acts and regulations.
Nature of business and principal activities	Rendering basic services such as electricity, sanitation, Refuse Collection, Infrastructure Development, Economic Development Community Services, etc.
Mayoral committee	
Executive Mayor	Cllr M Mpahlwa (18/01/2019 - to present)
	Cllr N Gaga (01/07/2018 - 18/01/2019)
Speaker	Cllr Y Vara
	Cllr M Matyumza
MPAC Chairperson	Cllr T Seyisi (27/02/2019 - to present)
	Cllr RM Xonxa (01/07/2018 - 18/01/2019)
	Cllr TF Bruintjies
	Cllr C Clark
	Cllr B Fargher
	Cllr M Fatyi
	Cllr T Gushe
	Cllr M Gojela
	Cllr DB Holm (Resigned_01/07/2018 - 18/01/2019)
	Cllr B Jackson
	Cllr M Khubalo
	Cllr E Louw
	Cllr XG Madyo
	Cllr N Masoma
	Cllr P Matyumza
	Cllr AJ Meyer
	Cllr M Moya
	Cllr N Mtwa (Died - 21/07/2018)
	Cllr L Nase
	Cllr MA Nhanha (Resigned_01/07/2018 - 23/03/2019)
	Cllr NM Pieters
	Cllr M Qotoyi (Resigned_01/07/2018 - 30/11/2018)
	Cllr L Sakata
	Cllr S Sodladla
	Cllr S Dyantjie
	Cllr S Sashe (18/01/2019 - 30/06/2019)
Grading of local authority	Category B
Chief Finance Officer (CFO)	Mr GJ Goliath
Municipal Manager	Mr MA Mene
Registered office	City Hall 86 High Street Grahamstown 6139
Postal address	P O Box 176

General Information

	Grahamstown 6140
Bankers	First National Bank
Auditors	Auditor-General South Africa
Attorneys	Smith Tabata Chris Baker

Index

The reports and statements set out below comprise the annual financial statements presented to the provincial treasury:

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and were given unrestricted access to all financial records and related data. The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board. The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, he sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across. The financial statements which have been prepared on the going concern basis, were signed on municipality's behalf by the accounting officer. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, he is satisfied that the municipality has access to adequate resources to continue in operational existence for the foreseeable future.

The financial statements are prepared on the basis that the municipality is a going concern and that the Makana municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality. The external auditors are responsible for independently expressing an opinion and reporting on the municipality's financial statements.

The financial statements which have been prepared on the going-concern basis, were approved by the accounting officer on 31 August 2019 and were signed on its behalf by:

Mr MA Mene
Municipal Manager

Statement of Financial Position for the year ended 30 June 2019

	Notes	2019 R	2018 Restated* R
Assets			
Current Assets			
Inventories	2	5 901 751	7 412 300
Receivables from non-exchange transactions	4	21 297 568	3 407 255
Receivables from exchange transactions	3	21 704 796	16 254 137
Cash and cash equivalents	5	67 762 288	13 535 574
		116 666 403	40 609 266
Non-Current Assets			
Investment property	9	188 114 494	188 234 395
Property, plant and equipment	6	827 550 407	828 877 188
Intangible assets	7	330 715	494 106
Heritage assets	8	33 364 868	33 364 868
		1 049 360 484	1 050 970 557
Total Assets		1 166 026 887	1 091 579 823
Liabilities			
Current Liabilities			
Other financial liabilities	15	1 321 281	1 205 621
VAT control account	14	-	450 567
Payables from exchange transactions	11	174 596 507	177 059 786
Payables from non-exchange transactions	12	16 848 750	17 307 350
VAT payable	14	26 018 420	37 601 209
Consumer deposits	10	2 587 503	3 238 016
Employee benefit obligation	16	2 653 571	4 320 441
Unspent conditional grants and receipts	13	47 349 135	1 714 428
		271 375 167	242 897 418
Non-Current Liabilities			
Other financial liabilities	15	52 221 321	53 541 893
Employee benefit obligation	16	68 770 997	74 529 655
Provisions	17	34 168 479	32 683 738
		155 160 797	160 755 286
Total Liabilities		426 535 964	403 652 704
Net Assets		739 490 923	687 927 119
Accumulated surplus		739 490 923	687 927 119

* See Note 47

Statement of Financial Performance for the year ended 30 June 2019

	Notes	2019 R	2018 Restated* R
Revenue			
Revenue from exchange transactions			
Service charges	18	259 654 189	224 896 527
Rental of facilities and equipment	19	2 326 038	1 742 600
Interest received on debtors	21	26 572 457	19 879 427
Agency fees		3 018 386	2 642 116
Other income	22	1 668 688	2 272 979
Interest received - investment	21	6 025 798	991 024
Total revenue from exchange transactions		299 265 556	252 424 673
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	71 995 422	66 277 505
Transfer revenue			
Government grants & subsidies	24	152 791 071	131 400 307
Public contributions and donations		-	9 668 960
Fines, penalties and forfeits		315 364	382 535
Total revenue from non-exchange transactions		225 101 857	207 729 307
Total revenue	25	524 367 413	460 153 980
Expenditure			
Employee related costs	26	(165 707 276)	(156 270 281)
Remuneration of councillors	27	(10 675 513)	(10 314 585)
Depreciation and amortisation	28	(29 920 560)	(29 479 044)
Finance costs	29	(24 228 261)	(23 504 582)
Lease rentals on operating lease	20	(1 657 514)	(1 552 511)
Debt Impairment	30	(116 093 744)	(109 387 553)
Bulk purchases	31	(103 200 913)	(107 376 860)
Contracted services	32	(55 474 590)	(19 359 147)
Grants and subsidies	33	(416 875)	(2 678 265)
Loss on disposal of assets and liabilities		(1 078 721)	(1 086 217)
Loss on non-current assets held for sale or disposal groups		(45 589)	-
General expenses	34	(36 002 518)	(38 476 427)
Total expenditure		(544 502 074)	(499 485 472)
Deficit for the year from continuing operations		(20 134 661)	(39 331 492)
Actuarial gains		14 962 347	6 108 498
Deficit for the year		(5 172 314)	(33 222 994)

* See Note 47

AUDITOR - GENERAL
SOUTH AFRICA
24 JAN 2020

Statement of Changes in Net Assets for the year ended 30 June 2019

	Accumulated surplus R	Total net assets R
Balance at 01 July 2017	**726 828 832**	**726 828 832**
Changes in net assets		
Deficit for the year	(33 222 994)	(33 222 994)
Total changes	(33 222 994)	(33 222 994)
Balance at 01 July 2017 as restated*	693 605 838	693 605 838
Adjustments		
Prior year adjustments	51 057 399	51 057 399
Restated* Balance at 01 July 2018 as restated*	**744 663 237**	**744 663 237**
Changes in net assets		
Surplus for the year	(5 172 314)	(5 172 314)
Total changes	(5 172 314)	(5 172 314)
Balance at 30 June 2019	**739 490 923**	**739 490 923**

Note(s)

* See Note 47

Cash Flow Statement for the year ended 30 June 2019

	Note(s)	2019 R	2018 Restated* R
Cash flows from operating activities			
Receipts			
Cash receipts from customers		258 311 475	253 573 648
Grants		157 791 071	131 333 499
Interest income		6 025 798	991 024
Interest received		26 572 457	20 870 451
		448 700 801	406 768 622
Payments			
Employee costs		(177 639 224)	(164 493 508)
Suppliers		(163 226 588)	(160 545 248)
Other payments		(24 228 261)	(23 504 582)
		(365 094 073)	(348 543 338)
Net cash flows from (used in) operating activities	36	83 606 728	58 225 284
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(28 299 749)	(35 745 100)
Proceeds from sale of property, plant and equipment	6	(1 080 265)	143 302
Purchase of other intangible assets	7	-	(75 644)
Net cash flows used in investing activities		(55 952 471)	(56 547 893)
Cash flows from financing activities			
Repayment from long term loan		(1 205 621)	(1 084 861)
Net increase/(decrease) in cash and cash equivalents		54 226 714	592 530
Cash and cash equivalents at the beginning of the year		13 535 574	12 943 044
Cash and cash equivalents at the end of the year	5	67 762 288	13 535 574

* See Note 47

Statement of Comparison of Budget and Actual Amounts for the year ended 30 June 2019

Budget on Acrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	223 821 491	24 500 000	248 321 491	259 654 189	11 332 698	Note 43
Rental of facilities and equipment	1 424 800	500	1 425 300	2 326 038	900 738	Note 43
Interest received (trading)	7 417 816	-	7 417 816	26 572 457	19 154 641	Note 43
Licences and permits	2 550 000	850 000	3 400 000	3 018 386	(381 614)	Note 43
Other income	39 144 456	(24 973 000)	14 171 456	1 668 688	(12 502 768)	Note 43
Interest received - investment	800 000	2 500 004	3 300 004	6 025 798	2 725 794	Note 43
Total revenue from exchange transactions	275 158 563	2 877 504	278 036 067	299 265 556	21 229 489	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	67 345 380	6 742 072	74 087 452	71 995 422	(2 092 030)	Note 43
Transfer revenue						
Government grants & subsidies	160 995 000	52 959 000	213 954 000	152 791 071	(61 162 929)	Note 43
Fines, Penalties and Forfeits	989 649	35 000	1 024 649	315 364	(709 285)	Note 43
Total revenue from non-exchange transactions	229 330 029	59 736 072	289 066 101	225 101 857	(63 964 244)	
Total revenue	504 488 592	62 613 576	567 102 168	524 367 413	(42 734 755)	
Expenditure						
Personnel	(182 284 000)	(2 022 061)	(184 306 061)	(165 707 276)	18 598 785	
Remuneration of councillors	(9 774 000)	(1 473 612)	(11 247 612)	(10 675 513)	572 099	
Depreciation and amortisation	(11 500 000)	(24 136 120)	(35 636 120)	(29 920 560)	5 715 560	
Finance costs	(7 500 000)	(3 000 000)	(10 500 000)	(24 228 261)	(13 728 261)	
Lease rentals on operating lease	-	-	-	(1 657 514)	(1 657 514)	
Impairment reversal	(20 000 000)	(16 670 000)	(36 670 000)	(116 093 744)	(79 423 744)	
Bulk purchases	(83 065 000)	(13 000 000)	(96 065 000)	(103 200 913)	(7 135 913)	
Contracted Services	(12 459 000)	(15 960 020)	(28 419 020)	(55 474 590)	(27 055 570)	
Transfers and Subsidies	(30 700 000)	30 549 996	(150 004)	(416 875)	(266 871)	
General Expenses	(75 654 973)	7 139 843	(68 515 130)	(36 002 518)	32 512 612	
Total expenditure	(432 936 973)	(38 571 974)	(471 508 947)	(543 377 764)	(71 868 817)	
Operating deficit	71 551 619	24 041 602	95 593 221	(19 010 351)	(114 603 572)	
Transfers recognized - capital	-	-	-	(1 078 721)	(1 078 721)	Note 43
Loss on non-current assets held for sale or disposal groups	-	-	-	(45 589)	(45 589)	
	-	-	-	(1 124 310)	(1 124 310)	
Deficit for the year	71 551 619	24 041 602	95 593 221	(20 134 661)	(115 727 882)	
Deficit for the year from continuing operations	71 551 619	24 041 602	95 593 221	(20 134 661)	(115 727 882)	
Discontinued operations	-	-	-	14 962 347	14 962 347	

Statement of Comparison of Budget and Actual Amounts for the year ended 30 June 2019

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**71 551 619**	**24 041 602**	**95 593 221**	**(5 172 314)**	**(100 765 535)**	

Statement of Comparison of Budget and Actual Amounts for the year ended 30 June 2019

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Position						
Assets						
Current Assets						
Inventories	5 700 000	-	5 700 000	5 901 751	201 751	Note 43
Receivables from non-exchange transactions	95 000 000	-	95 000 000	21 297 568	(73 702 432)	Note 43
VAT receivable	-	-	-	84 407 136	84 407 136	Note 45
Consumer debtors	25 600 000	-	25 600 000	21 704 796	(3 895 204)	Note 43
Cash and cash equivalents	4 987 200	10 000 000	14 987 200	67 762 288	52 775 088	Note 43
	131 287 200	10 000 000	141 287 200	201 073 539	59 786 339	
Non-Current Assets						
Investment property	188 500 000	-	188 500 000	188 114 494	(385 506)	
Property, plant and equipment	685 000 000	22 000 000	707 000 000	827 550 407	120 550 407	
Intangible assets	2 700 000	-	2 700 000	330 715	(2 369 285)	
Heritage assets	-	-	-	33 364 868	33 364 868	
	876 200 000	22 000 000	898 200 000	1 049 360 484	151 160 484	
Total Assets	1 007 487 200	32 000 000	1 039 487 200	1 250 434 023	210 946 823	
Liabilities						
Current Liabilities						
Other financial liabilities	2 750 000	-	2 750 000	1 321 281	(1 428 719)	Note 43
Payables from exchange transactions	116 847 000	-	116 847 000	174 596 507	57 749 507	Note 43
Taxes and transfers payable (non-exchange)	-	-	-	16 848 750	16 848 750	Note 43
VAT payable	7 500 000	-	7 500 000	110 425 552	102 925 552	Note 43
Consumer deposits	3 500 000	-	3 500 000	2 587 503	(912 497)	Note 43
Employee benefit obligation	-	-	-	2 653 571	2 653 571	Note 43
Unspent conditional grants and receipts	-	-	-	47 349 135	47 349 135	Note 43
	130 597 000	-	130 597 000	355 782 299	225 185 299	
Non-Current Liabilities						
Other financial liabilities	59 179 000	-	59 179 000	52 221 321	(6 957 679)	Note 43
Employee benefit obligation	-	-	-	68 770 997	68 770 997	Note 43
Provisions	14 500 000	-	14 500 000	34 168 479	19 668 479	Note 43
	73 679 000	-	73 679 000	155 160 797	81 481 797	
Total Liabilities	204 276 000	-	204 276 000	510 943 096	306 667 096	
Net Assets	803 211 200	32 000 000	835 211 200	739 490 927	(95 720 273)	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	803 211 200	32 000 000	835 211 200	739 490 927	(95 720 273)	Note 43

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
2019											
Financial Performance											
Property rates	67 345 380	6 742 072	74 087 452	-		74 087 452	71 995 422		(2 092 030)	97 %	107 %
Service charges	223 821 491	24 500 000	248 321 491	-		248 321 491	259 664 189		11 332 698	105 %	116 %
Investment revenue	7 417 816	(7 417 816)	-	-		-	6 025 798		6 025 798	DIV/0 %	81 %
Transfers recognised - operational	160 995 000	52 959 000	213 954 000	-		213 954 000	152 791 071		(61 162 929)	71 %	95 %
Other own revenue	39 144 456	(24 973 000)	14 171 456	-		14 171 456	1 668 688		(12 502 768)	12 %	4 %
Total revenue (excluding capital transfers and contributions)	498 724 143	51 810 256	550 534 399	-		550 534 399	492 135 168		(58 399 231)	89 %	99 %
Employee costs	(182 284 000)	(2 022 061)	(184 306 061)	-	-	(184 306 061)	(165 707 276)	-	18 598 785	90 %	91 %
Remuneration of councillors	(9 774 000)	(1 473 612)	(11 247 612)	-	-	(11 247 612)	(10 675 513)	-	572 099	95 %	109 %
Debt impairment	(20 000 000)	(16 670 000)	(36 670 000)			(36 670 000)	(116 093 744)	-	(79 423 744)	317 %	580 %
Depreciation and asset impairment	(11 500 000)	(24 136 120)	(35 636 120)			(35 636 120)	(29 920 560)	-	5 715 560	84 %	260 %
Finance charges	(7 500 000)	(3 000 000)	(10 500 000)	-	-	(10 500 000)	(24 228 261)	-	(13 728 261)	231 %	323 %
Materials and bulk purchases	(83 065 000)	(13 000 000)	(96 065 000)	-	-	(96 065 000)	(103 200 913)	-	(7 135 913)	107 %	124 %
Transfers and grants	(30 700 000)	30 549 996	(150 004)	-	-	(150 004)	(416 875)	-	(266 871)	278 %	1 %
Employee costs	-	-	-	-	-	-	(165 707 276)	-	(165 707 276)	DIV/0 %	DIV/0 %
Other expenditure	(75 654 973)	7 139 843	(68 515 130)	-	-	(68 515 130)	(39 690 988)	-	28 824 142	58 %	52 %
Total expenditure	(420 477 973)	(22 611 954)	(443 089 927)	-	-	(443 089 927)	(655 641 406)	-	(212 551 479)	148 %	158 %
Surplus/(Deficit)	78 246 170	29 198 302	107 444 472	-		107 444 472	(163 506 238)		(270 950 710)	(152)%	(209)%

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
Transfers recognised - capital	-	-	-	-		-	(27 884 476)		(27 884 476)	DIV/0 %	DIV/0 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	10 394 900		10 394 900	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	78 246 170	29 198 302	107 444 472	-		107 444 472	(180 995 814)		(288 440 286)	(168)%	(231)%
Surplus/(Deficit) for the year	78 246 170	29 198 302	107 444 472	-		107 444 472	(180 995 814)		(288 440 286)	(168)%	(231)%

Accounting Policies for the year ended 30 June 2019

1. Presentation of Annual Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below

Standards

Standards Issued and Effective

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Accounting for Investments in Associates
GRAP 8	Interest in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the Reporting Date
GRAP 16	Investment Properties
GRAP 17	Property, Plant and Equipment
GRAP 18	Segment Reporting
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 21	Impairment of Non-Cash Generating Assets
GRAP 23	Revenue from non-exchange transactions
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee Benefits (Approved, early addoption)
GRAP 26	Impairment of Cash-Generating Assets
GRAP 27	(as revised 2012): Agriculture (Replaces GRAP 101)
GRAP 31	Intangible Assets (replace GRAP 102)
GRAP 100	Discontinued Operations
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
GRAP 105	Transfer of Functions Between Entities Under Common Control
GRAP 106	Transfer of Functions Between Entities Not Under Common Control
GRAP 107	Mergers

Standards Issued, Future Effective Date - can base accounting policy on, or early adopt

GRAP 20	Related Party Disclosures
GRAP 32	Service Concession Arrangements: Grantor
GRAP 34	Separate Financial Statements
GRAP 35	Consolidated Financial Statements
GRAP 36	Investments in Associates and Joint Ventures
GRAP 37	Joint Arrangements
GRAP 38	Disclosure of Interests in Other Entities
GRAP 108	Statutory Receivables
GRAP 109	Accounting by Principals and Agents
GRAP 110	Living and Non-living Resources

Interpretations Issued and Effective

Accounting Policies for the year ended 30 June 2019

IGRAP 1	Applying the Probability Test on Initial Recognition of Exchange Revenue
IGRAP 2	Changes in Existing Decommisssioning Restoration and Similar Liabilities
IGRAP 3	Determining Whether an Arrangement Contains a Lease
IGRAP 4	Rights to Interests Arising from Decommissioning, Restoration and Environnmental Rehabilitation
Funds IGRAP 8	Agreements for the Contruction of Assets from Exchange Transactions
IGRAP 10	Assets Received from Cumstomers
IGRAP 13	Operating Leases - Incentives
IGRAP 14	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IGRAP 16	Intangible Assets - Website Costs (effective 1 April 2013)

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality and all amounts are rounded to the nearest rand.

1.2 Going concern assumption

The financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

The preparation of financial statements is in conformity with South African Standards of GRAP which requires the use of certain critical accounting accounting estimates. It also requires management to excercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant sections of the financial statements. Although these estimates are based on management's best knowledge of current events and sections they may undertaken in the future, actual results ultimately may differ from those estimates. These include:

Trade receivables and other receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

On receivables an impairment loss is recognised in the surplus or deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables carrying amount and the present value of the estimated future cash flows discounted at the effective interest rate computed at the initial recognition.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of receivable and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including municipality specific variables and economic factors.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

1.4 Consistency of presentation

The presentation and classification of items in the financial statements is the same as in the previous reporting period.

1.5 Offsetting

Assets and liabilities, revenue and expenses, shall not be offset unless required or permitted by a standard of GRAP.

1.6 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Subsequently recognised at cost model.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - buildings	60 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The nature OR type of properties classified as held for strategic purposes are as follows:

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note).

1.7 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment.

The Municipality used 20% for residual value on the motor vehicles.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Straight line	Land is not depreciated
INFRASTRUCTURE ASSETS	Straight line	
• Aviation		20-50
• Electricity		5-50
• Refuse		10-100
• Roads		20-120
• Sorm water		10-50
• Water supply		10-80
• Sanitation		10-60
• Transport		10-80

Accounting Policies for the year ended 30 June 2019

COMMUNITY ASSETS	Straight line	
• Buses		10-30
• Cemetries		30 years
• Community Halls		30 years
• Fire,Safety & Emergency		10-100
• Museums & Art Gallaries		10-100
• Parks & Gardens		5-50
• Recreational Facilities		15-100
• Social Renting Housing		10-100
• Sportsfields		20-30
• Swimming Pools		10-20
OTHER ASSETS	Straight line	
• Civil Land & Building		20-100
• Computer Hardware & Equipment		2-5
• Furniture & Office Equipment		7-30
• General Vehicles		7-15
• Other Buildings		50-100
• Other Land		Indefinite
• Other Assets		5-15
• Plant &Equipment		5-30
• Security Measure		5-10
• Specialised Vehicle		12-30
BUILDINGS	Straight line	
• Other Buildings		10-100
• Historical Building		10-200

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

1.8 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

Accounting Policies for the year ended 30 June 2019

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.9 Heritage assets

Assets are resources controlled by the municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality. Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount. An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount. An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use. Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses. After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.10 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), an entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Accounting Policies for the year ended 30 June 2019

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Accounting Policies for the year ended 30 June 2019

Subsequent measurement

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Gains and losses

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.11 Leases

The Municipality as a lessee

Leases are classified as finance leasees where substantially all the risks and rewards of ownership are transfered to the Municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the asset or if lower the present value of the minimum lease payments determined at the inception of the lease. Corresponding liabilities are included as finance lease liabilities. The corresponding liabilities are initially recognised at the inception of the lease and measured at the sum of the minimum lease payments discounted for the effect of the interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payment and unguaranteed residual values to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the capital and finance costs portions using the effective interest method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance wih the stated accounting policies applicable to property, plant and equipment or intangible assets. The lease liabilityis reduced by the lease payments, which are allocated between finance costs and capital repayment using the effective interest method. Lease finance costs are expensed when incurred. The accounting policies reating to the derecognition of financial instruments are applied to lease payables. The leased asset is depreciated over the shorter of the useful life of the asset or the lease term.

The Municipality as a lessor

Operating lease rental income is recognised on a straight line over the term of the relevent lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the leaself it practicable to determine. If not the rate for the government bond with a maturity similar to the lease is used.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.12 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Accounting Policies for the year ended 30 June 2019

1.13 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Identification of a potential impairment

The recoverable amount of an asset is the higher of its fair value less cost to sell and its value in use. When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Accounting Policies for the year ended 30 June 2019

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.14 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired. The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement of non-cash generating units

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies for the year ended 30 June 2019

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.15 Employee benefits

Employee benefits are all forms of consideration given by entity in exchange for service rendered by employees.

Termination benefits are employee benefits payable as a result of either:
- the municipality's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

A constructive obligation is an obligation that derives from a entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Accounting Policies for the year ended 30 June 2019

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the Municipality during a reporting period, the Municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Accounting Policies for the year ended 30 June 2019

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.16 Provisions

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficit.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Accounting Policies for the year ended 30 June 2019

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.17 Contruction contracts and Receivables

The municipality is registered for VAT on the payment basis. Revenue, expenses and assets are recognised net of the amount of value added tax. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. The net output VAT on debtors where money has not been received or creditors where payment has not yet been made is disclosed separately in the Statement of Financial Position in terms of GRAP 1.
The municipality is liable to account for VAT at standard rate of 15% in terms of section 7(1) of the vat act, in respect of the supply of goods or services except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 or is out of scope for VAT purposes. The timing of payments to or from SARS is the last day of each of twelve months financial year.

1.18 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners. An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed .

Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.19 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Rates, including collection charges, penalties and interest

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforveable. Penalty interest on unpaid rates is recognised on a time apportionnment basis with reference to the principle amount receivable and effective interest rate applicable. Rebates are granted to certain catergories of ratepayers and are deducted from the revenue.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets (revenue) arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting municipality.

Gifts and donations, including goods in-kind

Donations are recognised on a cash basis or where the donation is in the form of; property, plant and equipment, when such items are available for use.

1.20 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.21 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.22 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.23 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

1.24 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.25 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of resources embodying economic benefits or service potential. A commitment is disclosed to the extent that it has not already been recognised anywhere else in the financial statements.

At the end of each financial period the municipality determines commitments in respect of capital expenditure that has been approved and contracted for which is then disclosed in the commitment note in the financial statements.

1.26 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

Accounting Policies for the year ended 30 June 2019

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.27 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. The nature and reason for the reclassification are disclosed in the comparative figure note 49 to the financial statements.

1.28 Unauthorised expenditure

Unauthorised expenditure is any expenditure incurred otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (MFMA).

Unauthorised expenditure includes:
- Overspending of the total amount appropriated in the municipality's approved budget,
- Overspending of the total amount appropriated for a vote in the approved budget,
- Expenditure from a vote unrelated to the department or functional area covered by the vote,
- Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose,
- Spending of an allocation received from another sphere of Government, municipality, or organ of state otherwise than in accordance with any conditions of the allocation,
- A grant by the municipality otherwise than in accordance with the MFMA.

Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not certified as irrecoverable by the council it is treated as an asset until it is recoverable or written off as irrecoverable.

1.29 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.30 Irregular expenditure

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Accounting Policies for the year ended 30 June 2019

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.31 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts in the annual financial statement.

1.32 Contingent assets and contingent liabilities

The municipality does not recognise contingent liabilities or contingent assets, but disclose them.

A contingent liability is a possible outflow of resources embodying economic benefits or service potential that is subject to a future event.

A contingent asset is where an inflow economic benefits is probable. Contingent assets and liabilities are disclosed in note 47.

1.33 Change in accounting policy, estimates and errors

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 - Accounting policies, change in accounting estimates and errors, requirements excpet to the extent that is impracticable to determine the period-specific effects or the accumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets and liabilities and net assets for the earliest period for which retrospective restatement is practicable. Details of the changes in accounting policy are disclosed in the notes to the financial statements where applicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.
Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 except to the extent that it is impracticable to determine the period specific effects or the cumulative affect of the error. In such cases the municipality shall restate the opening balances of assets and liabilities and net assets for the earliest period for which retrospective treatment is practicable. Details of the prior period errors are disclosed in the notes to the financial statements where applicable.

Notes to the Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 Restated R
2. INVENTORIES		
Water	86 359	91 851
Land	4 017 500	4 017 500
Consumable stores	548 898	404 108
Electrical stores	1 248 994	2 898 841
	5 901 751	**7 412 300**
2.1 Inventories recognised as an expense during the year		
Consumables	2 829 289	314 338
Materials and stores	6 801 646	8 928 806
	9 630 935	**9 243 144**
3. RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Gross balances		
Electricity	30 559 917	29 668 515
Water	184 370 761	155 200 363
Sewerage	45 907 595	43 566 593
Refuse	25 956 088	21 839 569
Interest	118 854 704	97 531 822
VAT and Sundries	49 847 923	37 820 874
	455 496 988	**385 627 736**
Less: Allowance for impairment		
Electricity	(19 284 511)	(18 362 776)
Water	(178 084 145)	(152 614 458)
Sewerage	(43 670 893)	(42 179 408)
Refuse	(26 430 296)	(23 579 113)
Interest	(116 504 167)	(95 009 787)
VAT and Sundries	(49 818 180)	(40 267 377)
	(433 792 192)	**(372 012 919)**
Net balance		
Electricity	11 275 406	11 305 739
Water	6 286 616	2 585 905
Sewerage	2 236 702	1 387 185
Refuse	(474 208)	(1 739 544)
Interest	2 350 537	2 522 035
VAT and Sundries	29 743	192 817
	21 704 796	**16 254 137**
Electricity		
Current (0 -30 days)	7 802 533	8 278 324
31 - 60 days	2 264 931	2 440 175
61 - 90 days	1 204 818	1 484 297
91 - 120 days	1 132 177	851 277
121 - 365 days	18 155 456	16 614 443
Less: Impairment	(19 284 509)	(18 362 777)
	11 275 406	**11 305 739**

Notes to the Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R
Water		
Current (0 -30 days)	5 647 177	10 049 462
31 - 60 days	4 057 341	6 543 368
61 - 90 days	8 843 210	5 878 696
91 - 120 days	3 686 111	4 734 597
121 - 365 days	162 136 921	127 994 240
Less: Impairment	(178 084 144)	(152 614 458)
	6 286 616	**2 585 905**
Sewerage		
Current (0 -30 days)	1 419 346	1 172 744
31 - 60 days	1 041 818	807 719
61 - 90 days	906 378	703 375
91 - 120 days	1 034 907	712 935
121 - 365 days	41 505 142	40 169 820
Less: Impairment	(43 670 889)	(42 179 408)
	2 236 702	**1 387 185**
Refuse		
Current (0 -30 days)	831 444	658 811
31 - 60 days	630 069	460 023
61 - 90 days	586 543	419 786
91 - 120 days	557 726	406 554
121 - 365 days	23 350 304	19 894 395
> 365 days	(26 430 294)	(23 579 113)
	(474 208)	**(1 739 544)**
Interest, VAT and Sundries		
Current (0 -30 days)	4 084 420	2 925 127
31 - 60 days	3 583 553	1 912 713
61 - 90 days	4 031 015	2 627 135
91 - 120 days	3 269 204	2 770 522
121 - 365 days	153 747 165	125 117 200
Less: Impairment	(166 335 077)	(132 637 843)
	2 380 280	**2 714 854**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(372 012 919)	(287 625 231)
Contributions to allowance	(61 729 273)	(84 387 688)
	(433 742 192)	**(372 012 919)**

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Sundry Debtors (MIG Grant)	13 041 334	57 293
Consumer debtors - Rates	43 446 052	35 202 984
Impairment on assessment rates debtors	(35 189 818)	(31 853 022)
	21 297 568	**3 407 255**

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	(31 853 022)	(12 074 983)
Provision for impairment	(3 336 796)	(19 778 039)
	(35 189 818)	**(31 853 022)**

Notes to the Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R
5. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of:		
Call Investments Account	65 050 360	6 966 458
Primary Bank Account	2 711 928	6 569 116
	67 762 288	13 535 574

Call Investment Deposits

Notice Deposits are investments with a maturity period of less than 12 months and earn interest rates varying from 7.36 % to 10.50 % (2018: 5,75 % to 8,40 %)per annum.
Call Deposits are investments with no maturity period.

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates.

Notes to the Annual Financial Statements for the year ended 30 June 2019

	2019	2018
	R	R

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
First National Bank - Main Account - 620 3123 2531	2 507 063	6 569 116	4 037 428	2 507 063	6 569 116	4 037 428
First National Bank - Call Account - 622 3341 1884	6 201 429	3 890 435	5 308 016	6 201 429	3 890 434	5 308 016
First National Bank - Call Account - 626 4608 8139	2 029 123	1 917 904	-	2 029 123	1 917 904	-
First National Bank - 12 Months Deposit - 715 3881 1574	418 000	516 466	479 764	418 000	516 466	479 764
First National Bank - Call Account - 747 9001 7815	56 033 208	-	-	56 033 208	-	-
Standard Bank - 12 Months Deposit - 088807657-006	425	425	425	425	425	425
Standard Bank - 12 Months Deposit - 088812685-007	1 508	1 508	1 507	1 508	1 507	1 507
Standard Bank - Call Account - 088822370-002	50 072	47 552	45 149	50 072	47 552	45 149
ABSA - Call Account - 909 560 9301	149 564	143 644	137 779	149 564	143 644	137 779
ABSA - 12 Months Deposit - 204 758 4346	53 904	50 189	46 631	53 904	50 189	46 631
ABSA - 12 Months Deposit - 204 947 8169	12 501	11 639	10 815	12 501	11 639	10 815
Nedbank - Call Account - 03/7881065141/000001	100 047	94 046	87 890	100 047	94 046	87 890
Standard Bank - 12 Months Deposit - 088805662-002	163	163	163	163	163	163
Standard Bank - 12 Months Deposit - 088812723-001	415	415	415	415	415	415
GBS Mutual - Fixed Deposit - 022 5060 4623	-	-	6 000	-	-	6 000
GBS Mutual - Fixed Deposit - 022 5060 4461	-	-	4 000	-	-	4 000
GBS Mutual - Fixed Deposit - 022 5060 4450	-	-	50	-	-	50
GBS Mutual - Fixed Deposit - 022 5060 4449	-	-	100	-	-	100
First National Bank - Current Account - 626 3312 9631	204 866	196 104	31 851	204 866	196 104	31 851
Nedbank - Call Account - 1450 2711 9992	-	95 968	25 213	-	95 968	25 213
Nedbank - Call Account - 1450 2711 9998	-	-	15 542	-	-	15 542
GBS Mutual - Fixed Deposit - 022 5060 4335	-	-	3 000	-	-	3 000
GBS Mutual - Fixed Deposit - 022 5060 4357	-	-	20 000	-	-	20 000
GBS Mutual - Fixed Deposit - 022 5060 4380	-	-	967	-	-	967
GBS Mutual - Fixed Deposit - 022 5060 4391	-	-	5 000	-	-	5 000
GBS Mutual - Fixed Deposit - 022 5060 4438	-	-	4 000	-	-	4 000
GBS Mutual - Fixed Deposit - 022 5060 4472	-	-	4 500	-	-	4 500
GBS Mutual - Fixed Deposit - 022 5060 4494	-	-	3 600	-	-	3 600

Notes to the Annual Financial Statements for the year ended 30 June 2019

					2019 R	2018 R
GBS Mutual - Fixed Deposit - 022 5060 4531	-	-	4 000	-	-	4 000
GBS Mutual - Fixed Deposit - 022 5060 4553	-	-	6 700	-	-	6 700
GBS Mutual - Fixed Deposit - 022 5060 4564	-	-	5 400	-	-	5 400
GBS Mutual - Fixed Deposit - 022 5060 4597	-	-	3 200	-	-	3 200
GBS Mutual - Fixed Deposit - 027 6801 01015	-	-	2 000	-	-	2 000
GBS Mutual - Fixed Deposit - 030 5970 4019	-	-	14 000	-	-	14 000
GBS Mutual - Fixed Deposit - 030 5970 4380	-	-	1 811 905	-	-	1 811 905
GBS Mutual - 32 Days Notice - 305 970 0053	-	-	154 736	-	-	154 736
GBS Mutual - 12 Months Deposits - 255 060 4545	-	-	181 902	-	-	181 902
GBS Mutual - 12 Months Deposits - 255 060 4601	-	-	166 218	-	-	166 218
Total	**67 762 288**	**13 535 574**	**12 629 866**	**67 762 288**	**13 535 572**	**12 629 866**

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand

6. PROPERTY, PLANT AND EQUIPMENT

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	71 086 372	-	71 086 372	71 086 372	-	71 086 372
Buildings	115 144 316	(20 495 609)	94 648 707	113 344 939	(18 348 392)	94 996 547
Infrastructure	730 135 253	(195 039 710)	535 095 543	697 147 743	(173 691 568)	523 456 175
Community	110 642 043	(32 910 629)	77 731 414	100 196 069	(29 914 840)	70 281 229
Other property, plant and equipment	42 685 694	(25 830 049)	16 855 645	40 700 374	(23 054 456)	17 645 918
Work in progress Infrastructure	21 158 662	-	21 158 662	26 526 392	-	26 526 392
Work in progress Community	-	-	-	12 909 219	-	12 909 219
Landfill site	20 619 928	(9 645 864)	10 974 064	20 626 487	(8 651 151)	11 975 336
Total	**1 111 472 268**	**(283 921 861)**	**827 550 407**	**1 082 537 595**	**(253 660 407)**	**828 877 188**

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	71 086 372	-	-	-	-	71 086 372
Buildings	94 996 547	-	-	1 799 377	(2 147 217)	94 648 707
Infrastructure	523 456 175	-	(45 589)	33 033 099	(21 348 142)	535 095 543
Community	70 281 229	-	-	10 445 974	(2 995 789)	77 731 414
Other property, plant and equipment	17 645 918	640 941	(15 628)	663 868	(2 079 454)	16 855 645
Work in progress Infrastructure	26 526 392	27 665 369	-	(33 033 099)	-	21 158 662
Work in progress Community	12 909 219	-	-	(12 909 219)	-	-
Landfill site	11 975 336	(6 559)	-	-	(994 713)	10 974 064
	828 877 188	28 299 751	(61 217)	-	(29 565 315)	827 550 407

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	71 086 372	-	-	-	-	-	71 086 372
Buildings	97 053 505	-	-	-	(2 056 958)	-	94 996 547
Infrastructure	540 476 165	-	(14 256)	4 163 666	(21 114 548)	(54 853)	523 456 175
Community	58 962 072	-	(403 213)	14 566 291	(2 843 921)	-	70 281 229
Other property, plant and equipment	20 042 237	-	(668 938)	315 079	(2 042 460)	-	17 645 918
Work in progress Infrastructure	7 456 463	23 233 595	-	(4 163 666)	-	-	26 526 392
Work in progress Community	15 674 427	12 116 162	-	(14 881 370)	-	-	12 909 219
Landfill site	12 575 253	395 343	-	-	(995 260)	-	11 975 336
	823 326 494	35 745 100	(1 086 406)	-	(29 053 147)	(54 853)	828 877 188

	2019 R	2018 R

Repairs and maintenance

The accounting standards boards (ASB) issued a FAQ which states that the line item "Repairs and Maintenance" is no longer permitted in the statement of financial performance and that the said expenditure should be reclassified by it nature.

However in line with the requirements of GRAP 17, the repairs and maintenance related expenditure identified by the municipality can still be attributed to the following assets classes:

	2019 R	2018 R
Repairs and maintenance		
Buildings and facilities	910	263 239
Infrastructure	575 517	4 490 828
Other assets	1 665 403	3 192 491
	2 241 830	**7 946 558**

Aging of Work-In-Progress 2019

	Included within Infrastructure	Included within Community	Total
Opening balance	15 674 427	12 575 253	28 249 680

Reconciliation of Work-In-Progress 2019

	Included within Infrastructure	Included within Community	Total
Opening balance	15 674 427	12 575 253	28 249 680

Expenditure incurred to repair and maintain property, plant and equipment

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

7. INTANGIBLE ASSETS

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 563 525	(1 232 810)	330 715	1 563 525	(1 069 419)	494 106

Reconciliation of intangible assets - 2019

	Opening balance	Depreciation	Total
Computer software	494 106	(163 391)	330 715

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Depreciation	Total
Computer software	571 076	75 644	(152 614)	494 106

Pledged as security

No intangible assets are pledged as security.

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand

8. HERITAGE ASSETS

	2019			2018		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical Assets	34 608 200	(1 243 332)	33 364 868	34 608 200	(1 243 332)	33 364 868

Reconciliation of heritage assets 2019

	Opening balance	Total
Historical Assets	33 364 868	33 364 868

Reconciliation of heritage assets 2018

	Opening balance	Total
Historical Assets	33 364 868	33 364 868

Heritage assets consists of

Egazini Memorial Precinct
Egazini Interpretation Center
Historical Cemetery
Botanical Gardens[

Notes to the Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R

9. INVESTMENT PROPERTY

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	189 313 505	(1 199 011)	188 114 494	189 313 505	(1 079 110)	188 234 395

Reconciliation of investment property - 2019

	Opening balance	Depreciation	Total
Investment property	188 234 395	(119 901)	188 114 494

Reconciliation of investment property - 2018

	Opening balance	Depreciation	Total
Investment property	188 354 296	(119 901)	188 234 395

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

In the exceptional cases when the municipality has to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
  - the fact that the entity has disposed of investment property not carried at fair value,
  - the carrying amount of that investment property at the time of sale, and
  - the amount of gain or loss recognised.

10. CONSUMER DEPOSITS

	2019	2018
Electricity and water	2 945 612	2 946 480
Rental of Buildings and Facilities	(358 109)	291 536
	2 587 503	3 238 016

Consumer Deposits are paid by consumers on application for new water and electricity connections together deposit for rental of municipal properties. The deposits are repaid when the water and electricity connections are terminated and deposit for rental of properties are refund provide no demands were identified on the property. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account for water and electricity. No interest is paid on Consumer Deposits held .

Notes to the Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R

11. PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables	159 567 094	161 485 600
Payments received in advance	2 709 028	139 388
Retentions	4 746 070	4 493 026
Guarantee	-	736 164
Other creditors	7 674 315	10 205 608
	174 596 507	177 059 786

No interest is paid for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. Other creditor are made out of Unallocated deposits and largly third party payments for salaries.

12. PAYABLES FROM NON-EXCHANGE TRANSACTIONS

Bonus Provision	4 521 848	4 536 616
Leave Provision	12 326 902	12 399 608
Refundable deposits	-	371 126
	16 848 750	17 307 350

Bonus provision - staff bonuses accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.
Leave provision - staff leave accrue to the staff of the municipality on an annual basis, subject to cartain conditions. The provision is an estimate of the amount due at the reporting date.

13. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	11 929 308	1 714 428
Water Services Infrastructure Grant(WSIG)	29 776 605	-
Integrated National Electrification Programme Grant(INEP)	5 643 222	-
	47 349 135	1 714 428

The nature and extent of government grants recognised in the annual financial statements are an Indication of other forms of government assistance from which the municipality has directly benefited; and Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 25 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

14. VAT PAYABLE

Vat Control	-	450 567
Vat Provision	26 018 420	37 601 209
	26 018 420	38 051 776

The VAT Provision account is used to record VAT on revenue and expenses incurred but for which no payment has been received or made.

Notes to the Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R

15. LONG TERM LOAN

	2019 R	2018 R
Designated at fair value		
Bank loan The municipality has restructured its loan with the Development Bank of South Africa effectively on the 30 September 2015. The borrowed amount amounts to R56 358 399 with an interest rate of 10.5% p.a for a period of 20 years with the first installment which started on 31 January 2017.	53 542 602	54 747 514
Non-current liabilities		
Designated at fair value	52 221 321	53 541 893
Current liabilities		
Designated at fair value	1 321 281	1 205 621

	2019 R	2018 R

16. EMPLOYEE BENEFIT OBLIGATIONS

Defined benefit plan

The amounts recognised in the statement of financial position are as follows:

	2019 R	2018 R
Carrying Value		
Post retirement benefits: medical aid	64 541 998	71 323 576
Long service awards	6 882 570	7 526 520
	71 424 568	78 850 096
Current portion of liability	2 653 571	4 320 441
Non-current portion of liability	68 770 997	74 529 655
	71 424 568	78 850 096

Post retirement health care benefit liability

The municipality operates an unfunded defined benefit plan for qualifying employees, and offers employees and continuation members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme. The accrued unfunded liability at 30 June 2019 is based on the municipality's accrued contributions-based liability and takes no account of any potential contingent Cros-subsidy liability. The obligation in respect of medical care contributions for retirement benefits is valued every year by independent qualified actuaries. The last actuarial valuation report was performed on 30 June 2019 by Once Pangaea using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

	2019	2018
In-service (employee) members	342	393
In-service (employee) non-members	269	258
Contribution (retiree and widow) members	64	67
	675	718

The liability in respect of past service has been estimated as follow:

	2019	2018
In-service (employee) members	31 249 310	32 659 274
In-service (employee) non-members	6 570 156	6 312 536
Contribution (retiree and widow) members	26 722 532	32 351 766
	64 541 998	71 323 576

The municipality makes monthly contributions for health-care arrangements to the following Medical Aid Schemes

Bonitas
Samwumed
Keyhealth
Hosmed
LA Health

Changes in the present value of the defined benefit obligation are as follows:

	2019	2018
Opening balance	69 888 657	68 938 260
Net expense recognised in the statement of financial performance	(6 781 578)	950 397
	63 107 079	69 888 657

Notes to the Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R

The amounts recognised in the statement of financial performance are as follows

	2019 R	2018 R
Current service cost	3 607 066	3 624 584
Interest cost	6 677 299	6 647 442
Actuarial (gains) losses	(14 191 996)	(6 642 109)
Curtailment	(2 873 947)	(2 679 520)
	(6 781 578)	950 397

The principal assumptions used for the purpose of the actuarial valuations were as follows:

(i) SA 85-90 table was used for pre-retirement mortality adjusted for female lives, and table PA (90)-1 was used for post-retirement mortality, adjusted year of age.

	2019	2018
Discount rates used	10,57 %	9,55 %
Consumer price inflation	5,86 %	6,41 %
Health care cost inflation	7,36 %	7,91 %
Expected increase in salaries	- %	7,50 %
Expected pension increases	- %	7,00 %
Proportion of employees opting for early retirement	- %	2,05 %
Expected increase in healthcare costs	7,91 %	7,36 %

(ii) Normal Retirement Age of an employee is at 65

Expected Retirement Age (females) 62

Expected Retirement Age (males) 62

The PA 90-1 mortality table, adjusted down by one year of age, was used. The SA85-90 ultimate table, adjusted for female lives was used.

1. Service cost increased the liability by R3,607,066.

2. Interest cost over the valuation period results in an increase in the liability by R6,677,299.

3. Expected benefit payments towards continuation pensioners currently being subsidised for medical contributions for the 2018/19 year amounted to R2,873,947.

4. The net discount rate changed from 2.04% to 2.47% during the valuation period. The accrued liability is inversely related to the net discount. As such the increase in the net discount resulted in a decrease in the accrued liability.

5. The movements and changes in the demographics of the number of participants resulted in a decrease to the accrued liability. The liability per participant is heavily skewed towards the continuation pensioners. The participants changed from 67 to 64 during the financial year and 40% were married in the previous valuation compared to 20% in the current. The movements on the continuation pensioners had the largest effect on the accrued liability.

6. Actual medical increases above the expected inflationary increases assumed as at 1 January 2019 resulted in a further increase to the liability.

7. The miscellaneous items in the data resulted in a decrease to the liability by R2,060,788. Factors that make up the miscellaneous items are changes to data from prior year and variations from demographic assumptions (i.e. rates of withdrawal).

Notes to the Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R

Other assumptions

It is further assumed that the level of benefits receivable, and the contributions payable in respect of such, would remain unchanged, with the exception of allowing for inflationary adjustments.

The history of experienced adjustments is as follows:

The fair value of Plan assets: The post-employment health care liability and Long- Service Awards are not a funded arrangement i.e no separate assets have been set aside to meet this liability

	2019 R	2018 R	2017 R	2016 R	2015 R
Defined benefit obligation	64 541 998	71 323 576	70 373 000	61 362 940	61 362 940
Surplus (deficit)	(64 541 998)	(71 323 576)	(70 373 000)	(61 362 940)	(61 362 940)
Experience adjustments on plan liabilities	(14 191 996)	(7 410 418)	(340 000)	(899 000)	(789 000)

Long -service awards

	2019 R	2018 R
Changes in the present value of the defined benefit obligation are as follows:		
Economic entity contribution to such schemes	5 985 818	6 676 434
Amount recognised as an expense	896 752	850 086
	6 882 570	7 526 520

The amount recognised in the Statement of Financial Position are as follows:

The total economic entity contribution to such schemes	5 985 818	6 696 500
The amount recognised as an expense for defined contribution plans is	896 752	850 086

Net expense recognised in the statement of financial performance		
Current service costs	1 000 878	988 968
Interest costs	572 017	504 265
Actuarial gain	(770 351)	(643 147)
	802 544	850 086

Notes to the Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R

17. PROVISIONS

Reconciliation of provisions - 2019

	Opening Balance	Additions	Total
Environmental rehabilitation	32 683 738	1 484 741	34 168 479

Reconciliation of provisions - 2018

	Opening Balance	Additions	Total
Environmental rehabilitation	31 094 139	1 589 599	32 683 738

The Municipality has an obligation to restore three landfill sites situated in Grahamstown, Alicedale and Riebeek east.The landfill sites are currently licensed and used for general waste disposal (non-hazardous) purpose. The valuations were done by Bosch Munitech based in East London.

18. SERVICE CHARGES

	2019 R	2018 R
Sale of electricity	128 212 687	118 436 600
Sale of water	97 439 490	76 279 723
Sewerage and sanitation charges	24 523 573	21 764 994
Refuse removal	9 478 439	8 415 210
	259 654 189	**224 896 527**

19. RENTAL OF FACILITIES AND EQUIPMENT

	2019 R	2018 R
Premises	1 268 359	1 387 902
Encroachments	1 057 679	324 609
Venue hire	**2 326 038**	**1 712 511**
Facilities and equipment	-	30 089
Amenities	2 326 038	1 742 600

20. LEASE RENTALS ON OPERATING LEASE

	2019 R	2018 R
Contractual	1 657 514	1 552 511
Office equipment rental		

21. INTEREST REVENUE

	2019 R	2018 R
Interest revenue	6 025 798	991 024
Interest received - investment	26 572 457	19 879 427
Interest charged on trade and other receivables	32 598 255	20 870 451

Notes to the Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R

22. OTHER INCOME

	2019 R	2018 R
Administration/sale of plots	800 245	577 654
Building Plans	486 848	345 512
Grazing fees	-	25 613
Weighbridge fees	1 706	1 380
Sundry revenue	376 439	1 303 145
Printing and photocopies	3 450	19 675
	1 668 688	**2 272 979**

23. PROPERTY RATES

Rates received

	2019 R	2018 R
Residential	38 346 403	34 366 322
Commercial	12 428 567	11 103 001
State Owed Property rates	18 137 832	16 838 567
Farm Properties	2 894 570	2 646 015
Industrial	1 508 519	1 946 807
Public Benefit Organisations	532 112	510 196
Public Service Infrastructure Properties	25 312	22 934
Less: Statutory Rebate	(1 877 893)	(1 156 337)
	71 995 422	**66 277 505**

Valuations

	2019 R	2018 R
Residential	5 192 623 125	4 960 310 985
Commercial	858 543 000	670 056 900
State	803 503 923	788 160 700
Municipal	479 337 147	-
Other	602 781 360	482 234 732
Agricultural	2 140 952 183	1 706 981 600
Industrial	264 547 700	209 806 800
Educational	334 004 100	24 908 250
Institutional	1 057 502 400	1 412 043 100
	11 733 794 938	**10 254 503 067**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation will be implemented on 01 July 2019.

Notes to the Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R

24. GOVERNMENT GRANTS AND SUBSIDIES

	2019 R	2018 R
Operating grants		
Equitable share	85 578 001	79 857 585
Drought Grant	448 696	810 000
Department Sport, Recreation, Arts & Culture	4 000 000	4 000 000
Municipal Infrastructure Grant (MIG)	1 198 800	1 238 200
Finance Management Grant (FMG)	2 215 000	2 145 000
Other Government: LG Seta	527 428	-
Expanded Public Works Programme (EPWP)	1 000 000	1 331 455
Public Health Subsidy	839 154	1 718 235
	95 807 079	91 100 475
Capital grants		
Integrated Electrification Grant (INEP)	2 356 778	-
WSIG - Drought Grant	27 223 395	-
Municipal Infrastructure Grant (MIG)	27 403 819	40 299 832
	56 983 992	40 299 832
	152 791 071	131 400 307

Municipal Infrastructure Grant - Capital

	2019 R	2018 R
Balance unspent at beginning of year	1 714 428	843 444
Current-year receipts	36 776 000	41 170 816
Conditions met - transferred to revenue	(26 561 120)	(40 299 832)
	11 929 308	1 714 428

The Municipal Infrastructure Grant (MIG) was allocated for construction of Roads, basic sewer and water infrastructure as part of improving the life of poor households,micro enterprise and social instituition, to provide new infrastructure, rehabilitation and upgrading of municipal infrastructure. The municipality's MIG funds are deposited to Sarah Baartman District Municipality and the municipality receives a portion of expenditure to be incured upon submission of valid invoices to Sarah Baartman. Unspent Grant at year end as well as roll over application is done by the district municipality and will be disbursed to the municipality upon submission of valid tax invoices.

Finance Management Grant

	2019 R	2018 R
Current-year receipts	2 215 000	2 145 000
Conditions met - transferred to revenue	(2 215 000)	(2 145 000)
	-	-

The Finance Management Grant is paid by National Treasury to municipalities to help them implement the finance management reforms required by Municipal Finance Management (MFMA) Act No. 56 of 2003

Expanded Public Works Programme

	2019 R	2018 R
Balance unspent at beginning of year	-	4 036
Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(1 000 000)	(1 004 036)
	-	-

The Expanded Public Works Programme was allocated to the municipality for enviromental and water infrastructure projects.

Notes to the Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R
Other Grants: LG Seta		
Current-year receipts	527 428	-
Conditions met - transferred to revenue	(527 428)	-
	-	-
Department of Sport,Recreation, Arts & Culture		
Current-year receipts	4 000 000	4 000 000
Conditions met - transferred to revenue	(4 000 000)	(4 000 000)
	-	-

This Grant was allocated to the municipality for purpose of mantaining and building libraries in the community

	2019 R	2018 R
WSIG Drought		
Current-year receipts	57 000 000	-
Conditions met - transferred to revenue	(27 223 395)	-
	29 776 605	-

This Grant was transferred to the municipality for the operation and mantainance of sewerage and water schemes transfered from DWS to the municipality and refurbishment of water infrastructure.

	2019 R	2018 R
INEP		
Balance unspent at beginning of year	-	3 758 961
Current-year receipts	8 000 000	-
Conditions met - transferred to revenue	(2 356 778)	(3 758 961)
	5 643 222	-

This Grant was allocated to the municipality for refurbishment of electricity infrastructure

	2019 R	2018 R
Provincial: Other Grants		
Balance unspent at beginning of year	-	2 729 259
Conditions met - transferred to revenue	-	(2 729 259)
	-	-
Public Health Subsidy		
Balance unspent at beginning of year	-	1 403 509
Current-year receipts	839 154	314 726
Conditions met - transferred to revenue	(839 154)	(1 718 235)
	-	-
Drought Grant		
Current-year receipts	448 696	810 000
Conditions met - transferred to revenue	(448 696)	(810 000)
	-	-

The subsidy was allocated to the Municipality as a emergency disaster relief grant for the boreholes.

Notes to the Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R

25. REVENUE

	2019 R	2018 R
Service charges	259 654 189	224 896 527
Rental of facilities and equipment	2 326 038	1 742 600
Interest received Debtors	26 572 457	19 879 427
Licences and permits	3 018 386	2 642 116
Other income	1 668 688	2 272 979
Interest received - investment	6 025 798	991 024
Property rates	71 995 422	66 277 505
Government grants & subsidies	152 791 071	131 400 307
Public contributions and donations	-	9 668 960
Fines, Penalties and Forfeits	315 364	382 535
	524 367 413	**460 153 980**

The amount included in revenue arising from exchanges of goods or services are as follows:

	2019 R	2018 R
Service charges	259 654 189	224 896 527
Rental of facilities and equipment	2 326 038	1 742 600
Interest received Debtors	26 572 457	19 879 427
Licences and permits	3 018 386	2 642 116
Other income	1 668 688	2 272 979
Interest received - investment	6 025 798	991 024
	299 265 556	**252 424 673**

The amount included in revenue arising from non-exchange transactions is as follows:

	2019 R	2018 R
Taxation revenue		
Property rates	71 995 422	66 277 505
Transfer revenue		
Government grants & subsidies	152 791 071	131 400 307
Public contributions and donations	-	9 668 960
Fines, Penalties and Forfeits	315 364	382 535
	225 101 857	**207 729 307**

	2019 R	2018 R

26. EMPLOYEE RELATED COSTS

	2019 R	2018 R
Basic	119 254 388	114 728 948
Bonus	(464 596)	(187 790)
Medical aid - company contributions	9 596 805	9 730 060
UIF	1 018 984	1 041 315
Leave payments	2 189	(5 566 317)
Insurance contribution	876 555	868 180
Pension fund contributions	17 890 017	17 766 859
Overtime payments	7 713 874	7 780 212
Travel and other allowances	3 271 690	3 571 248
Housing benefits and allowances	1 304 873	1 223 099
Stand by allowance	1 435 842	1 322 824
Telephone allowance	198 256	264 837
Medical aid for retired members	3 546 045	3 660 511
Industrial Council Levy	62 354	66 295
	165 707 276	**156 270 281**

Municipal Manager: MA Mene (Appointed 01/08/2018)

Earnings	730 946	-
Allowances	326 902	-
Company contributions	22	-
	1 057 870	-

Chief Financial Officer: GJ Goliath (Appointed 01/12/2018)

Earnings	314 443	-
Allowance	327 032	-
Company contributions	5 091	-
	646 566	-

Chief Financial Officer: NF Siwahla (Resigned 31/07/2018)

Earnings	113 339	721 034
Allowances	-	343 235
Company contributions	1 133	11 947
	114 472	**1 076 216**

Director: Community & Social Services: M Planga

Earnings	-	451 596
Allowance	-	71 446
Company contributions	-	5 999
	-	**529 041**

Acting Municipal Manager: Various

Earnings	29 655	178 874

Acting Director: Corporate Services: Various

Earnings	-	27 298

Director: Local Economic Development: MJ Meiring

Earnings	877 412	832 459
Allowance	200 376	188 486
Company contributions	12 151	11 622
	1 089 939	**1 032 567**

Notes to the Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R
Director: Corporate Services: NC Mazwayi		
Earnings	835 441	735 711
Allowance	397 817	413 732
Company contributions	13 547	12 650
	1 246 805	1 162 093
Acting Director: Public Safety and Community Services: CJ Hanekom		
Earnings	-	83 317
Director: Technical & Infrastructure Services: D Mlenzane		
Earnings	835 629	792 817
Allowance	176 044	273 922
Company contributions	11 583	12 150
	1 023 256	1 078 889
Acting Director: Community Services: W Welkom		
Earnings	-	112 973
Director: Community Services: K Makgoka		
Earnings	804 394	-
Allowances	271 320	-
Company contributions	28 856	-
	1 104 570	-
Acting Chief Financial Officer: CM Mani		
Acting Allowance	153 868	82 048

27. REMUNERATION OF COUNCILLORS

	2019 R	2018 R
Executive Mayor	808 701	831 918
WHIP	661 882	630 951
Mayoral Committee Members	1 789 481	1 915 542
Speaker	714 151	671 144
Councillors allowance	4 618 599	4 605 253
Councillors cellphone allowance	882 628	559 188
Councillors travelling allowance	1 200 071	1 100 589
	10 675 513	10 314 585

Salaries, allowances and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution

28. DEPRECIATION AND AMORTISATION

	2019 R	2018 R
Property, plant and equipment	29 757 169	29 326 430
Intangible assets	163 391	152 614
	29 920 560	29 479 044

Notes to the Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R

29. FINANCE COSTS

Provisions	1 492 843	8 739 763
Interest paid	22 735 418	14 764 819
	24 228 261	23 504 582

The finance costs includes Eskom, Amatola Water, landfill site, DBSA and other interest paid for late payments.

30. IMPAIRMENT

Debt impairment	65 116 069	104 255 346
Impairment of assets	-	54 853
Bad debts written off	50 977 675	5 077 354
	116 093 744	109 387 553

The impairment is made out of the debt impairment, impairment of assets and bad debts written off during the financial year.

31. BULK PURCHASES

Electricity - Eskom	98 198 029	101 057 832
Water	5 002 884	6 319 028
	103 200 913	107 376 860

Bulk purchases decreased due to a revision of the tarriff charge under the generation purchase tariff previously Mega Flex.

32. CONTRACTED SERVICES

Consultants and Professional Services	14 029 763	4 805 790
Contractors	28 479 106	1 572 625
Outsourced Services	12 965 721	12 980 732
	55 474 590	19 359 147

33. GRANTS AND SUBSIDIES PAID

Other subsidies		
Makana Tourism	-	1 075 065
Internship programme	416 875	1 603 200
	416 875	2 678 265

Notes to the Annual Financial Statements for the year ended 30 June 2019

34. GENERAL EXPENSES

	2019 R	2018 R
Audit Fees	4 535 589	4 940 280
Administration Charges	-	2 748 472
Advertising	611 146	369 016
Audit Committee	-	128 597
Bank charges	187 283	216 599
Commission paid	14 257	7 840
Computer expenses	329 063	-
Conferences and seminars	301 088	1 721 079
Consumables	2 829 289	314 338
Council events and projects	-	1 354 028
Fuel and oil	-	66 888
Hire of water trucks	1 101 689	7 551
Insurance	1 033 276	833 953
Interviews and Relocation Expenses	-	6 905
License Cards	4 962 127	1 740 519
Materials and stores	6 801 646	8 928 806
Municipal Services	3 965 376	-
Other expenses	1 975 304	2 836 397
Postage and courier	849 343	791 776
Protective clothing	-	47 419
Repairs and miantenance	2 241 832	7 946 558
Security (Guarding of municipal property)	-	56 989
Skills development levy	1 256 435	1 298 724
Subsistence and Traveling	405 776	619 367
Telephone and fax	2 056 595	1 492 344
Training	-	2 982
Uniforms	545 404	-
	36 002 518	**38 476 427**

35. AUDITORS' REMUNERATION

	2019 R	2018 R
Audit Fees	4 535 589	4 940 280

36. CASH GENERATED FROM OPERATIONS

	2019 R	2018 R
Deficit	(5 172 314)	(33 222 994)
Adjustments for:		
Depreciation and amortisation	29 920 560	29 479 044
Gain / (loss) on disposal of assets and liabilities	-	1 086 217
Gain on discontinued operations	45 589	-
Impairment reversal / (Debt impairment)	116 093 744	109 387 553
Movements in provisions	1 484 741	1 589 599
Actuarial gain	(14 962 347)	(6 108 498)
Landfil site non cash flow	6 559	(395 343)
Changes in working capital:		
Inventories	(1 510 549)	(548 946)
Receivables from exchange transactions	(16 023 978)	(8 206 041)
Other receivables from non exchange	(17 890 313)	(37 468 603)
Payables from exchange transactions	3 294 207	(4 356 346)
VAT	(11 775 679)	18 344 180
Trade payables from non-exchange	(458 600)	(6 411 556)
Consumer deposits	(650 513)	281 315
Employee benefit	1 205 621	1 800 483
	83 606 728	**58 225 284**

	2019 R	2018 R
37. COMMITMENTS		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	28 286 366	36 054 608
Total capital commitments		
Already contracted for but not provided for	28 286 366	36 054 608

38. RISK MANAGEMENT

Financial risk management

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function. There has not been any reviews conducted during the year which exposed the municipality to high financial risks. Further quantitative disclosures are included throughout these Annual Financial Statements

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

Notes to the Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R

Interest rate risk

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes. Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances. The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made. Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

At year end, financial liabilities exposed to interest rate include those other financial liabilities disclosed in Note 15 to the annual financial statements.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable. The municipality is not exposed to credit interest rate risk as the municipality has no borrowings. The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Notes to the Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R

Credit risk

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor (impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelveo credit limits were exceeded during the reporting period, and management does not expect any deficit from non-performance by these counterparties.
Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:
• The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
• A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
• The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
• The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually.
Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.
There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.
The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The maximum credit risk exposure in respect of the relevant finacial instruments is as follows:

Financial Instrument	2019	2018
Receivables from exchange transactions	21 704 796	16 254 137
Receivables from non exchange transactions	21 297 568	3 407 255
Cash and cash equivalents	67 557 428	13 535 574
Payables from exchange transactions	(180 611 669)	(192 361 646)
Other financial laibilities	(53 542 602)	(54 747 514)

39. UNAUTHORISED EXPENDITURE

	2019	2018
Opening balance as previously reported	461 480 908	356 609 247
Opening balance as restated	**461 480 908**	**356 609 247**
Add: Expenditure for the year	84 304 323	104 871 661
Closing balance	**545 785 231**	**461 480 908**

Notes to the Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R

The municipality incured unauthorised expenditure due to non cash items that were under budgeted for during the current year due to completed assets which were still recorded as wip.

Debt Impairment: During the year, the municipality reviewed its age analysis and identified some debtors to be written off.

Finance costs: Finance costs for landfill site were more than budgeted for, as budget was based on prior year figure.

40. FRUITLESS AND WASTEFUL EXPENDITURE

	2019	2018
Opening balance as previously reported	12 238 727	11 651 779
Opening balance as restated	**12 238 727**	**11 651 779**
Add: Incurred - current year	12 788 538	9 028 107
Less: Amount written off - current	-	(8 441 159)
Closing balance	**25 027 265**	**12 238 727**

These are as a results of interest paid on overdue payments which are not incompliance with MFMA s65(e) which states that all money owed by the municipality be paid within 30days of receiving the relevant invoice or statement and penalties from SARS.

41. IRREGULAR EXPENDITURE

	2019	2018
Opening balance	228 864 861	183 742 286
	228 864 861	**183 742 286**
Add: Irregular Expenditure - current year	56 481 908	45 122 575
Closing balance	**285 346 769**	**228 864 861**

42. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

Contributions to organised local government

	2019	2018
Opening balance	6 428 684	4 747 643
Current year subscription / fee	1 928 475	2 081 041
Amount paid - current year	(1 497 690)	(400 000)
	6 859 469	**6 428 684**

Balance Unpaid included in Creditors

Audit fees

	2019	2018
Opening balance	3 524 143	12 386 638
Current year subscription / fee	5 396 480	6 429 652
Amount paid - current year	(5 376 996)	(5 623 187)
Amount paid - previous years	-	(9 668 960)
	3 543 627	**3 524 143**

Balanced unpaid (included in Creditors). In terms of section 65 (e) and (f) of the MFMA the municipality must pay all money owing within 30days of receiving the relevant invoice or statement and also comply with all relevant Statutory commitments. The municipality and the Office of Auditor General have entered in a payment agreement plan.

Notes to the Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R
PAYE and UIF		
Opening balance	1 559 996	1 470 723
Current year subscription / fee	20 650 159	19 509 745
Amount paid - current year	(20 495 381)	(19 420 472)
	1 714 774	1 559 996

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2019:

30 June 2019

	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor E Louw	13 886	24 256	38 142

30 June 2019

	Highest outstanding amount	Aging (in days)
Councillor E Louw	38 142	365

30 June 2018

	Highest outstanding amount	Aging (in days)
Councillor AJ Meyer	7 026	120
Councillor E Louw	3 933	90
	10 959	210

Notes to the Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R

43. BUDGET DIFFERENCES

Material differences between budget and actual amounts

Statement of Financial Performance - Revenue

Service charges - The municipality implemented punitive drought water tariffs which resulted into customers having increased bills for water usages. .

Rental of Facilities and equipment - The municipality received higher demand in usage of halls, due to improved facilities as compared to previous financial years.

Interest received (Trading) – The actual collection rate was lower than estimated and together with the increased tariffs in service charges resulted in the higher interest charged in the outstanding consumer debts.

Interest earned - This is largely due to the MIG and WSIG capital grant funding that was unspent for the second half of the financial year and therefore resulting into additional interest earned on investments.

Statement of financial performance: Expenditure

Finance Costs – This is largely due to outstanding debt from Eskom and Amatola water .

Impairment reversal - This is due to long outstanding debt of consumers where about 94% of the debtors are long outstanding. Most of the debtors in debtors age analysis were not paying their debts and had not made a single payment during the year, hence the high provision of impairment

Contracted Services - This is due to the leakages of water reticulation networks and the water treatment plant requiring repairs.

Transfers and Subsidies - This is due to the increased number of interns that were employed in the financial year.

Notes to the Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R

44. CONTINGENCIES

The known contingent liabilities and assets as at 30 June 2019 are estimated at R44 646 563,82 for liabilities and R674,419.00 for assets, for 2017/18 R46,635,567 for liabilities and R724,419 for assets respectively.

Contingent liabilities

Below is a list of possible liability claims where the outcome was unknown as at 30 June 2019 and 30 June 2018 with the maximum unforeseen liability for the municipality:

Notyawa vs Makana Municipality and one other, rescission application. The financial exposure is estimated at R240 000.00.

> DWIS vs Makana Municipality, lawsuit due to unpaid water invoices. The financial exposure is estimated at R22,415,050.54

> Ginami Trading vs Makana Municipality, claim for water account. The financial exposure is estimated at R532 000.00

> Sebata Municipal Solutions vs Amatola Water and Makana Municipality, lawsuit based on breach of contract and undue enrichment. The financial exposure is estimated at R6,974,692.43

> Mthombo resorts vs Makana Municipality, breach of contract and breach of lease. The financial exposure is estimated at R9,300,000.00.

> Mathew Theljsen vs Makana Municipality, civil action based on unlawful arrest. The financial exposure is estimated at R200,000.00.

> Electric and Power Manufacturing Pty Ltd vs Makana Municipality, Services Rendered. The financial exposure is estimated at R294,821.39

>Minister of Police vs Makana Municipality, damages to motor vehicle. The financial exposure is estimated at R6 804.00.

> Olwathalle Onosi vs Makana Municipality, damages. The financial exposure is estimated at R3 128 457.00.

> William Tribe vs Makana Municipality, damages. The financial exposure is estimated at R217 978.00.

> Hugh Ben David vs Makana Municipality, damages to motor vehicle. The financial exposure is estimated at R21 746.00.

> G4S Cash Solutions Pty Ltd vs Makana Municipality, Services Rendered. The financial exposure is estimated at R47,248.91

> Scribante Construction vs Misa and Makana Municipality, interdict. No financial exposure has been attached.

> Unemployed People's Movement vs Makana Municipality, application for s139 (c) of the Constitution. The financial exposure is estimated at R500 000.00.

> Makana Unity League vs Makana Municipality, Municipal Manager, Executive Mayor, contempt of court. The financial exposure is estimated at R400 000.00

> D Mlenzana vs Makana Municipality, disciplinary matter. The financial exposure is estimated at R368,000.00

Contingent assets

Notes to the Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R

Below is a list of possible assets where the outcome was unknown as at 30 June 2019 and 30 June 2018 with the maximum unforeseen asset for the Municipality:

> Municipality vs Naidoo, The estimated financial gain is R 674 419.00.

45. RELATED PARTIES

Relationships	
Accounting Officer	Refer to accounting officer's report note
Controlling entity	
Post employment benefit plan for employees of a related party of a close family member of key management	Name Share Trust of [Mr key management]
Members of key management	Municipal Manager - Mr MA Mene Chief Financial Officer - Mr G Goliath Director Community & Social Services - Mr K Mogoka Director Local Economic Development - Ms MJ Riana Meiring Director Technical Services - Mr D Mlenzana Director Corporate and Shared Services Mrs NC Mazwayi
Close family members of persons in the service of the state	Fabo Trading CC
Close family members of persons in the service of the state	Makana Development Trust
Close family members of persons in the service of the state	George and Justine cc
Close family members of persons in the service of the state	Sulzer
Close family members of persons in the service of the state	ICT Choice
Close family members of persons in the service of the state	Qhamathabile General Trading

Related party transactions

	2019 R	2018 R
Purchases from (sales to) related parties		
Makana Development Trust	473 950	185 000
Sulzer	-	625 194
ICT Choice	256 464	377 147
George and Justine CC	-	103 091
Qhamathabile General Trading	15 500	-
Business Connection	437 783	-
Tiso Blackstars (Media 24)	366 960	-
Work Dynamics	32 413	-

46. COMPARATIVE FIGURES

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. The nature and reason for the reclassification are disclosed in the comparative figure note to the financial statements.

	2019 R	2018 R

47. PRIOR PERIOD ERRORS

Statement of Financial Position 2018

	Note(s)	Audited R	Prior year adjustments R	Reclassifying adjustments R	Restated R
Assets					
Current Assets					
Receivables from exchange transactions		17 607 518	(1 353 381)	-	16 254 137
Receivables from non-exchange transactions		17 479 410	(14 072 155)	-	3 407 255
Cash and cash equivalents		-	-	-	-
Non-Current Assets					
Property, plant and equipment		832 400 928	(3 523 740)	-	828 877 188
Investment property		184 470 390	3 764 005	-	188 234 395
		1 016 871 318	240 265	-	1 017 111 583
Total Assets		1 051 958 246	(15 185 271)	-	1 036 772 975
Liabilities					
Current Liabilities					
Payables from exchange transactions		191 629 198	(14 569 412)	-	177 059 786
Unspent conditional grants and receipts		5 743 576	(4 029 148)	-	1 714 428
VAT payable		35 706 752	1 894 458	-	37 601 210
		233 079 526	(16 704 102)	-	216 375 424
Total Liabilities		233 079 526	(16 704 102)	-	216 375 424
Net Assets		818 878 720	1 518 831	-	820 397 551
Net Assets					
Accumulated surplus		686 408 287	1 518 831	-	687 927 118

Receivables from exchange transacins

The change is due to incorrect taken on debtors balance when systems changed.

Receivables from non-exchange transactions

The change is due to incorrect taken on debtors balance when systems changed.

Property Plant and Equipment

Property, Plant and Equipment has been restated due to correction of land that was not in the name of the municipality.

Investment Property

Investment Property has been restated due to correction of municipal properties that was not in the registers.

Payables from exchange transactions

Payables from exchange transactions were restated due an invoice that was never captured and bulk purchase adjustment for eskom creditor under trade payables.

Unspent conditional grants and receipts

	2019	2018
	R	R

Unspent conditional grants were restated due to grants that should have been recognised as revenue in the prior prior years as the grant were fully spent.

VAT Payable is due to the change in the Bulk purchase for Eskom.

Accumulated Surplus

Accumulated surplus has been restated due to changes in the receivables due to incorrect taken on, PPE and Investment Property that does not belong to the municipality and Properties that were also excluded in the registers that belong to the municipality and also creditors invoice not captured in prior year and restating of conditional grants.

	2019 R	2018 R

Statement of Financial Performance for the year ended 30 June 2019

	Note(s)	Audited R	Prior year adjustments R	Reclassifying adjustments R	Restated R
Revenue					
Revenue from non-exchange transactions					
Transfer revenue					
Government grants & subsidies		131 333 499	66 808	-	131 400 307
Expenditure					
Bulk purchases		114 507 604	(7 130 744)	-	107 376 860
Operating surplus		245 841 103	(7 063 936)	-	238 777 167
Surplus for the year		245 841 103	(7 063 936)	-	238 777 167

Bulk Purchaase is due to the eskom biling adjustment.

Government grants & subsidies

The government grants & subsidies were restated due to Drought Grants that wasnt fully recognised in the prior year, all the money allocated for that grant was fully spent.

48. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS

During 2017/18 and 2016/17 financial year the following goods and services were procured deviated from the provisions of paragraph 12(1)(d)(I) as stated above but in line with paragraph 36 of SCM regulations. The reasons for these deviations from normal SCM regulations were documented and reported to the accounting officer who considered and subsequently approved them:

Classification of deviations

	2019	2018
Sole Supplier	703 220	796 528
Emergancy	11 135 982	2 926 475
Other	13 858 603	1 403 762
Total	25 777 005	5 099 765

49. BULK ELECTRICITY WATER LOSS

Electricity: 2019

	Purchased during the year	Sold during the year	Unaccounted for
units (kWh)	101 557 678	(89 555 289)	12 002 389

Calculated as follows:

	%	Distribution	Value
Bulk	12,00 %	89 555 289	18 797 026

Electricity losses occur due to inter alia, the tampering of meters, the incorrect ratios used on the bulk meter, fault meters and illegal electricity connections. The municipality is currently busy with an audit of bulk meters to find faulty meters and repair them. The problem with tampered meter and illegal connections is an ongoing process, with regular action being taken against defaulters.

Notes to the Annual Financial Statements for the year ended 30 June 2019

	2019 R	2018 R

Water Losses	Lost units	Cost per KL	Value
Unaccounted water losses	3 834 992	3,28	12 586 062

Water losses occur due to inter alia, leakages, tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repaired as soon as they are reported. Water losses have decreased for the financial period amounting to 37% of water produced due to water treatment plant repairs that were done during the year. The Rand value of the water losses for the period ending 30 June 2019 is R12 586 061.69

Electricity 2018	Purchased during the year	Sold during the year	Unaccounted for
units (kWh)	108 343 113	(94 040 688)	14 302 425

Calculated as follows:	%	Distribution	Value
Bulk	13,00 %	94 040 688	51 504 734

Electricity losses occur due to inter alia, the tampering of meters, the incorrect ratios used on the bulk meter, fault meters and illegal electricity connections. The municipality is currently busy with an audit of bulk meters to find faulty meters and repair them. The problem with tampered meter and illegal connections is an ongoing process, with regular action being taken against defaulters.

Water Losses	Lost units	Cost per KL	Value
Unaccounted water losses	3 690 747	4,01	14 815 765

Water losses occur due to inter alia, leakages, tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections.The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repaired as soon as they are reported. Water losses for the financial period amounted to 76% of water produced. The Rand value of the water losses for the period ending 30 June 2018 is R14 815 765,02

50. EVENTS AFTER THE REPORTING DATE

There were no events identified after the reporting date.

51. GOING CONCERN

We draw attention to the fact that at 30 June 2019, the municipality had a deficit of R 5 192 314 and that the municipality's total assets exceed its liabilities by R 739 490 923. there is a R28 million improvement compared to the prior year's deficit.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.Management have identified certain financial risks that negatively impact its ability to sustain current levels of operations before taking into account government grants. The ability of the municipality to continue as a going concern is dependent on a number of factors.

The most significant of these is that the municipality collects the growing customer debtors where management has implemented debt collection initiatives through appointment and performance management of a service provider; Intensifying credit control and possibly appointment of a private contractor to fast track disconnection of arrear debtors.

Payment arrangements are in place and being adhered to in order to settle the arrear creditors. There has been a notable decrease since prior year. Makana Municipality is reviewing the Financial Recovery plan that documents the actions to continuously improve its performance and as a consequence the financial ratios, which are below the norms and standards, will be improving to reflect the turnaround of the municipality. Current Ratio has improved from 0.22:1 to 043:1 and cash coverage ratio has improved from 0.25 months to one month as at 30 June 2019.

The ability of the municipality to continue as a going concern is dependent grant funding opportunities in order to fund future capital projects and also through receiving the allocated equitable share as per Dora grant funding.